

Decision No. 12816.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA PAULA WATER WORKS,)
a corporation, for authority to in-)
crease rates.)

ORIGINAL

Application No. 9293.

Farrand & Slosson, by Leonard B. Slosson,
for applicant.

BY THE COMMISSION:

O P I N I O N

Santa Paula Water Works, applicant in the above en-
titled proceeding, is engaged in the distribution and sale of
water for domestic and irrigation uses in and in the vicinity of
Santa Paula, Ventura County.

It is alleged that the present schedule of rates does not
produce sufficient revenue to provide a just and reasonable re-
turn upon the capital invested, and that necessary additions and
improvements to the system, together with the replacement of mains
on streets that are to be paved, will require additional expendi-
tures. Authority is therefore asked to increase the present rates
in accordance with a schedule proposed by applicant.

A public hearing in this matter was held before Examiner
Williams at Santa Paula. All interested parties had been properly
notified and were given an opportunity to appear and to be heard.

This utility was organized in 1891 and its present system consists of a dam in Santa Paula Creek diverting the water into a concrete conduit, which carries it to a storage reservoir located on a hillside above the city. From this point the water is distributed to the domestic consumers through a system of mains of apparently adequate size and capacity. The total number of services attached to the system is 1420, of which 95 per cent. are metered. Water for such irrigation service as is furnished is delivered from the conduit between the dam and the reservoir.

At times when the gravity supply has been insufficient for all requirements the utility has paid for the operation of a pumping unit owned by Thermal Belt Water Company, a mutual organization which controls the Santa Paula Water Works through ownership of about 90 per cent. of the stock. Water thus supplied was pumped directly into the system, any surplus going into the reservoir. This auxiliary supply is no longer available and the utility is now installing a pumping and booster unit which will obviate the necessity for assistance from the Thermal Belt Company. When all proposed improvements are completed the water requirements of this community will be amply provided for.

The present rates charged by applicant are in general those established by Ordinance No. 72, passed by the Board of Trustees of the City of Santa Paula, June 25, 1914. This ordinance establishes various flat rate charges and in addition the following meter rates:

For 1000 cubic feet (7500 gallons)
or less, used in any one month
through each meter, a minimum
charge of (for each separate
consumer). \$1.00

For each 100 cubic feet (750 gallons)
in excess of the minimum quan-
tity (1000 cubic feet), and not
exceeding 7000 cubic feet. . . . 0.07½

For each 100 cubic feet (750 gallons)
used in excess of 7000 cubic feet 0.05

On October 2, 1918, applicant filed with the Commission an amendment to the foregoing meter rates providing that the ordinance rates should be effective for all water used in any one month up to 30,000 cubic feet and that use in excess of that quantity should be paid for at the rate of \$0.025 per 100 cubic feet. Some consumers have been receiving water at special flat or meter rates which have not been filed with this Commission, as is required by general orders. It is unnecessary to go further than to state that such special rates are discriminatory and should be discontinued.

Charges against the City of Santa Paula are made at a flat rate of \$156 per annum for all municipal purposes, including fire hydrant use.

The present rates for irrigation service are on a graduated scale, depending upon the flow of water in Santa Paula Creek. When water is wasting over the diversion dam a rate of fifteen cents per miner's inch day is charged, the rate increasing to fifty cents per inch day when the gravity flow is insufficient to supply the needs of the city and pumping is required.

Testimony offered by applicant purported to show that a return should be allowed upon the sum of \$211,469.91, this amount including lands, physical property and water rights as they existed

on January 1, 1923, and also the estimated cost of certain proposed improvements.

John Spencer, one of the Commission's hydraulic engineers, presented a report covering in detail the capital investment, maintenance and operation expenses, rates, revenues, and other data pertaining to the system. The estimated original cost of the property used and useful in the service of the public, installed or in actual process of installation as of the date of the report, was shown as \$155,311. This figure does not include any value for water rights or other intangibles, nor does it include the total cost of all proposed improvements. To replace property worn out in the service of the public a depreciation annuity of \$2,137 was provided, which was computed by the six per cent. sinking fund method.

Maintenance and operation expenses for the years 1919 to 1922 inclusive were reported as \$9,225.60, \$9,836.38, \$11,785.28 and \$9,978.06. Mr. Spencer's estimate of reasonable future maintenance and operation expenses, amounting to \$12,711 per annum, provides for the operation of the new pumping plant and other necessary additional expenses.

To correspond with the above years the revenues were \$19,872.83, \$22,544.40, \$26,457.33 and \$25,021.45 respectively. The maximum revenue from the irrigation service in any one year was 20 per cent. and the minimum 12 per cent. of the foregoing total revenues.

Surplus water has been delivered by the utility to Thermal Belt Water Company at a fixed sum of \$2,500 per annum previous to 1919 and from and including that year at \$1,250 per annum, the

charge being reduced on the claim that the quantity had been lessened by one half. As the amount delivered will fluctuate we believe it more equitable to all concerned to place this delivery on a measured basis.

The City of Santa Paula has inaugurated an extensive program of street paving and the utility is proceeding with the replacement of its present mains with cast iron pipe, in the streets to be paved. Considerable additional capital will be required to complete the replacements and it is proper that the rate base should reflect the necessary expenditures as well as the reasonable cost of litigation in connection with applicant's right to divert the waters of Santa Paula Creek. A careful consideration of all the evidence submitted leads to the conclusion that the sum of \$200,000 is a reasonable rate base for the purpose of this proceeding, and that \$1,800 should be allowed as a depreciation annuity, the reduction from Mr. Spencer's recommended figure being made on account of the longer life of cast iron pipe with which replacements of the present distribution pipes are being made.

Based upon the various items set out in the foregoing discussions of costs of operation, rate base, depreciation annuity and revenues, the results of operation for the future may reasonably be assumed as follows:

Maintenance and Operation Expense -	\$12,711
Depreciation Annuity	<u>1,800</u>
Total Expense	\$14,511

Revenues (average of revenues for the years 1921 and 1922)	\$25,740
Total Expense	<u>14,511</u>
Net Revenues	\$11,229

This is equivalent to a return of 5.61 per cent. upon a rate base of \$200,000, heretofore found reasonable, and it is apparent that the utility is entitled to an increase in rates. The schedule authorized in the accompanying order will yield a reasonable return to the utility and the rates set out therein are extremely reasonable when compared with the rates charged by other utilities operating under similar conditions.

O R D E R

Santa Paula Water Works, a corporation, engaged in the distribution and sale of water for irrigation and domestic uses in and in the vicinity of Santa Paula, Ventura County, having made application as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully informed in the matter,

It is hereby found as a fact that the rates now charged by Santa Paula Water Works, a corporation, for water delivered to consumers in and in the vicinity of Santa Paula, Ventura County, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates for such service.

Basing the order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Santa Paula Water Works, a corporation, be and the same is hereby authorized to file with this Commission within twenty (20) days from the date of this order the following schedule of rates for water delivered to consumers in and in the vicinity of Santa Paula, Ventura County, subsequent to November 30, 1923:

MONTHLY METER RATES

700 cubic feet or less	\$1.00
From 700 to 5000 cubic feet, per 100 cubic feet10
From 5000 to 10000 " " " " "07
Over 10000 " " " " "05

MONTHLY MINIMUM METER CHARGE

For 5/8 inch meter	\$1.00
For 3/4 " "	1.50
For 1 " "	2.00
For 1 1/2 " "	3.25
For 2 " "	5.00
For 3 " "	8.00
For 4 " "	12.00

Each of the foregoing monthly minimum charges will entitle the consumer to the quantity of water which that minimum charge will purchase at the "monthly meter rates" set out above.

MONTHLY FLAT RATES

Each consumer now charged at flat rates shall be charged in accordance with the flat rate schedule established by Ordinance No. 72 of the City of Santa Paula heretofore referred to, and shall continue to be so charged until such time as a meter is installed upon that service.

MUNICIPAL USE

Fire hydrants, from less than four inch mains, per month, each	\$0.50
Fire hydrants, from four inch mains and larger, per month, each	1.50
All other municipal uses at regular meter rates.	

IRRIGATION RATES

When water is wasting over diversion dam in Santa Paula Creek, per miner's inch, (1/50 of one cubic foot per second), per day of 24 hours \$0.15

When water ceases to waste over dam and previous to inauguration of pumping, per miner's inch, (1/50 of one cubic foot per second), per day of 24 hours30

When gravity flow of water is insufficient to supply the City of Santa Paula and pumping operations by the utility are necessary, per miner's inch, (1/50 of one cubic foot per second) per day of 24 hours . . . \$0.60

SURPLUS WATER DELIVERED TO THERMAL BELT WATER COMPANY

Water delivered to above company after all consumers are supplied to their maximum demands and before pumping plant is operated, per miner's inch, (1/50 of one cubic foot per second), per day of 24 hours \$0.10

IT IS HEREBY FURTHER ORDERED that Santa Paula Water Works be and it is hereby directed to file with this Commission within thirty (30) days from the date of this order, rules and regulations to govern relations with its consumers, such rules and regulations to become effective upon their acceptance by the Commission.

Dated at San Francisco, California, this 10th day of November, 1923.

C. Searcy
H. A. Brundage
J. W. Martin
J. H. Whittier
Commissioners.